

## Message Text

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ACTION AID-59

INFO OCT-01 EUR-12 ISO-00 IGA-02 CIAE-00 COME-00 EB-07  
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FM AMEMBASSY LISBON  
TO SECSTATE WASHDC PRIORITY 2048

C O N F I D E N T I A L SECTION 1 OF 3 LISBON 5172

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E.O. 11652: XGDS-3  
TAGS: PINT, ELAB, PO  
SUBJ: AFL-CIO PROPOSAL FOR PORTUGUESE LABOR PROGRAM

REF: (A) STATE 145710, (B) LISBON 1152

SUMMARY: AS DEPARTMENT AWARE, EMBASSY HAS SUPPORTED AND CONTINUES TO ENDORSE IDEA OF AFL-CIO ASSISTANCE TO DEMOCRATIC LABOR IN PORTUGAL. AN AFL-CIO LABOR PROGRAM IN PORTUGAL CAN FURTHER US INTERESTS IF SUCH A PROGRAM IS SUPPORTED BY THE PORTUGUESE GOVERNMENT AND IS CONSISTENT WITH BROADER US POLICY OBJECTIVES. IMPOSING A US GOVERNMENT FUNDED PROGRAM WHICH THE PORTUGUESE GOVERNMENT CANNOT ACCEPT FOR POLITICAL REASONS WOULD NOT ONLY HAVE NEGATIVE EFFECTS ON OVERALL US-PORTUGUESE RELATIONS, BUT WOULD HAVE SLIGHT CHANCE OF SUCCESS. EMBASSY HAS UNDERWAY EFFORTS TO FIND A PRACTICAL SOLUTION TO CURRENT PROBLEM. A VISIT BY IRVING BROWN TO PORTUGAL TO DISCUSS AFL-CIO PROPOSAL AND ITS RELATION TO US OBJECTIVES WOULD BE WELCOME. END SUMMARY.

1. PORTUGUESE HAVE MADE CONSIDERABLE PROGRESS OVER PAST 18 MONTHS IN REVERSING PREVIOUS TREND TOWARD LEFTIST TOTALITARIANISM AND IN ESTABLISHING A WORKING  
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DEMOCRATIC SYSTEM. THE LABOR SECTOR, WHERE PORTUGUESE COMMUNIST PARTY (PCP) CONTROLS BULK OF LABOR MOVEMENT THROUGH MACHINERY OF CGTP LABOR FEDERATION, IS A MAJOR SOFT SPOT WHICH THREATENS CONTINUED PROGRESS TOWARD DEMOCRACY.

2. FOREIGN PROGRAMS ALREADY UNDERWAY: RECOGNIZING

THIS PROBLEM, EUROPEAN PARTIES, NOTABLY THE GERMAN FEDERAL REPUBLIC'S FRIEDRICH EBERT FOUNDATION AFFILIATED WITH THE SPD, AND THE KONRAD ADENAUER FOUNDATION IDENTIFIED WITH THE CDU, ARE PROVIDING SUBSTANTIAL ASSISTANCE TO VARIOUS ORGANIZATIONS IN PORTUGAL DESIGNED TO TRAIN DEMOCRATIC LABOR LEADERS. THE PORTUGUESE INSTITUTIONS INVOLVED ARE:

- THE SOCIALIST PARTY'S (PS) CENTER FOR UNION STUDIES (CES) AND THE JOSE FONTANA FOUNDATION, THE LATTER EXPECTED TO COMMENCE OPERATION IN LATE 1977, BOTH ASSISTED BY THE FRG'S EBERT FOUNDATION;
- THE SOCIAL DEMOCRATS (PSD) OLIVEIRA MARTIN'S FOUNDATION, WHICH HAS SPARKED A NUMBER OF LABOR SUCCESSES FOR THE PSD BUT LACKS CONTINUING SUPPORT FROM ANY MAJOR EUROPEAN POLITICAL PARTY;
- THE DEMOCRATIC LABOR FORCE (FDT) AND THE RELATED INSTITUTE FOR LABOR AND SOCIAL TRAINING (IFST), BOTH OF WHICH RECEIVE SUPPORT FROM THE KONRAD ADENAUER FOUNDATION.

3. CRUX OF PROBLEM: DURING PAST 18 MONTHS EMBASSY HAS TAKEN INITIATIVE IN PROPOSING AMERICAN LABOR MOVEMENT SUPPORT FOR DEMOCRATIC LABOR IN PORTUGAL. QUESTION TO BE RESOLVED IS HOW SUCH A PROGRAM CAN BE SUCCESSFULLY IMPLEMENTED AND CONTRIBUTE TO OVERALL US POLICY GOALS. THE EMBASSY IS SATISFIED THAT THE AFL-CIO CAN PLAY A

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SIGNIFICANT ROLE HERE IF CERTAIN PRECONDITIONS ARE MET. ASSUMPTION UNDERLYING REFTEL (A) SEEMS TO BE THAT AFL-CIO BELIEVES THAT A US LABOR PROGRAM SHOULD BE IMPLEMENTED UNILATERALLY IN PORTUGAL AND IT IS INCUMBENT UPON EMBASSY TO FORCE SOARES INTO LINE. SITUATION IS FAR MORE COMPLEX. EMBASSY CANNOT CONCUR IN A LABOR PROGRAM ON TERMS WHICH COULD JEOPARDIZE SHAKY PROGRESS WHICH DEMOCRATIC PARTIES HAVE ACHIEVED TOWARD A STABLE GOVERNMENT, AS WELL AS OVERALL FABRIC OF US-PORTUGUESE RELATIONS. EXACT NATURE OF PROJECTED LABOR PROGRAM IS NOT CLEAR FROM AFL-CIO PROPOSAL OF MAY 24. IF PROPOSAL ENVISAGES WORKING THROUGH PORTUGUESE LABOR INSTITUTIONS WITH PORTUGUESE SHAPING PROGRAM, WE BELIEVE IT HAS POSSIBILITIES. ON THE OTHER HAND, IF IT IS ENVISAGED THAT AN IDENTIFIABLE AFL-CIO LABOR INSTITUTE IN PORTUGAL PROCESS A SET QUOTA OF STUDENTS THROUGH ITS OWN SEMINARS EACH MONTH, THE PROGRAM WOULD HAVE SMALL CHANCE OF ACCEPTANCE BY THE PORTUGUESE.

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4. SOCIALIST LABOR CONUNDRUM: PRIME MINISTER SOARES HAS TO BALANCE ALMOST IRRECONCIABLE INTERESTS IN LABOR. ALTHOUGH PERSONALLY DISPOSED TO COLLABORATE WITH THE SOCIAL DEMOCRATS (PSD), HE AND OTHER PS LEADERS RECOGNIZE THEY WOULD BE UNABLE RIGHT NOW TO BRING MAJOR SEGMENTS OF THE PARTY RANK AND FILE AND THE BULK OF THE PS LABOR FOLLOWING ALONG WITH THEM AND FORM A BROADLY-BASED PS/PSD LABOR COALITION -- EVEN ASSUMING THE TWO PARTIES COULD AGREE ON A COALITION. TO FORCE THE SOCIALISTS TO ENTER SUCH A COALITION WOULD BE TO RISK A MAJOR SPLIT IN THE SOCIALIST PARTY AND ENDANGER THE EXISTENCE OF THE PRESENT DEMOCRATIC GOVERNMENT. SOARES HAS REPEATEDLY MADE IT CLEAR THAT HE WILL ACCEPT FOREIGN ASSISTANCE (EUROPEAN AS WELL AS AMERICAN) TO DEMOCRATIC LABOR ONLY IF IT IS CHANNLED EXCLUSIVELY THROUGH THE PS. THIS POSITION WAS STATED IN SOARES'S FEBRUARY 6 MEETING WITH AFL-CIO EUROPEAN REPRESENTATIVE IRVING BROWN (REF B), AND AGAIN IN THE PRIME MINISTER'S LABOR ADVISOR MADUREIRA'S LETTER OF MAY 30 TO AFL-CIO INTERNATIONAL AFFAIRS DIRECTOR ERNEST LEE.

5. ADDITIONAL CONSIDERATIONS: WHILE WE MAY NOT AGREE WITH THEM, SEEN FROM SOARES'S VIEWPOINT, THERE ARE OTHER VALID POLITICAL REASONS FOR HIS POSITION. THE  
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PS IS ALREADY RECEIVING SUBSTANTIAL FUNDING FOR LABOR FROM EUROPEAN SOCIALIST PARTIES. ADDITIONAL ASSISTANCE FROM AN AFL-CIO PROGRAM WOULD BE OF MARGINAL UTILITY

TO THE PS, BUT IS ESSENTIAL FOR THE DEVELOPMENT OF THE LABOR PROGRAM OF THE SOCIAL DEMOCRATIC PARTY. RECOGNIZING THAT NEITHER PARTY HAS DONE WELL IN HEAD-TO-HEAD COMPETITION WITH THE COMMUNIST-DOMINATED CGTP, THE PS IS WILLING TO MOVE TOWARD THE PSD OVER TIME BUT IT IS NATURALLY RELUCTANT TO STRENGTHEN THE PSD AT ITS OWN EXPENSE. ANOTHER REASON FOR SOARES'S INSISTENCE IS THE PERCEIVED NEED TO BE ABLE TO MODIFY OR TERMINATE THE PROGRAM SHOULD IT BECOME A POLITICAL LIABILITY. RECENT STEPPED-UP ACTIVITIES OF THE DISSIDENT PS LABOR GROUPING, FRATERNIDADE OPERARIA, HEADED BY EX-AGRICULTURE MINISTER LOPES CARDOSO, ARE A REMINDER TO SOARES THAT HE MUST MOVE CAREFULLY TO PROTECT HIS LEFT FLANK. LOPES CARDOSO AND COMPANY WOULD BE CRITICAL OF ANY AFL-CIO PRESENCE IN PORTUGAL. ALTHOUGH LOPES CARDOSO HAS ONLY A SMALL FOLLOWING, OTHERS WOULD JOIN THE CHORUS AND STRENGTHEN HIS HAND. SENSITIVITY OF EVEN DEMOCRATIC LABOR ELEMENTS TO AN AFL-CIO PRESENCE IS APPARENT FROM A JUNE 30 PRESS STATEMENT BY VITOR HUGO SEQUEIRA, A LEADER OF THE MAJOR NON-COMMUNIST LABOR GROUP, THE OPEN LETTER MOVEMENT, REJECTING ANY IDENTIFICATION WITH THE AFL-CIO DUE TO ITS "DIVISIONIST ROLE IN SOME EUROPEAN COUNTRIES." FINALLY, THE PS IS ALREADY WEAK IN LABOR IN NORTHERN PORTUGAL, AN AREA WHERE THE MAJOR STRENGTH OF THE PSD IS CONCENTRATED. OUTSIDE SUPPORT TO THE PSD LABOR EFFORT COULD FURTHER DIM PS PROSPECTS IN THIS POPULOUS REGION.

6. PS APPROVAL ESSENTIAL: AN AFL-CIO LABOR PROGRAM FOR PORTUGAL CANNOT SUCCEED WITHOUT PORTUGUESE GOVERNMENT CONFIDENTIAL

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APPROVAL. AS THE SOLE GOVERNING PARTY THE PS CONTROLS THE LEVERS OF POWER. EVEN IF IT WERE POSSIBLE TO PRESSURE THE PS INTO GRUDGING APPROVAL OF AN AFL-CIO LABOR PROGRAM WHICH INCLUDED DIRECT SUPPORT FOR THE PSD LABOR INSTITUTE, THE PS WOULD STILL HAVE MEANS TO UNDERMINE SUCH A PROGRAM. AID FUNDS CURRENTLY PROJECTED FOR SUPPORT OF A POSSIBLE AFL-CIO PROGRAM CANNOT BE UTILIZED WITHOUT GOP APPROVAL. THE SOARES GOVERNMENT THUS HAS AN EFFECTIVE VETO POWER ON ANY AID FUNDED LABOR PROGRAM.

7. CONTINUING EMBASSY EFFORTS: AS EARLY AS JUNE, 1976 THE AMBASSADOR URGED BOTH MARIO SOARES AND PSD LEADER SA CARNEIRO TO COLLABORATE IN LABOR. SINCE THAT TIME THE EMBASSY HAS CONTINUED TO ENCOURAGE CLOSER COLLABORATION BETWEEN THE DEMOCRATIC PARTIES. WE ANTICIPATE IT WILL TAKE ADDITIONAL TIME TO FIND TERMS ACCEPTABLE TO BOTH PARTIES. IF NO AGREEMENT IS POSSIBLE IN SPITE OF EMBASSY ENCOURAGEMENT, IT WILL NOT BE POSSIBLE TO

IMPLEMENT A TRAINING PROGRAM. IT SHOULD BE BORNE IN MIND THAT THE FRG, WHILE CLEARLY SUPPORTING A PS-PSD COALITION GOVERNMENT SEVERAL MONTHS AGO, DID NOT SEEK TO PRESSURE PS-PSD INTO JOINT ACTION IN LABOR AREA, RECOGNIZING THIS AS UNREALISTIC AT THAT TIME.

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8. SUBSTANCE OF AFL-CIO PROPOSALS: ALTHOUGH THE EXACT NATURE OF THE AFL-CIO PROPOSAL IS UNCLEAR, THE EMBASSY HAS CERTAIN GENERAL COMMENTS. IN A SERIES OF RECENT SOUNDINGS BY EMBASSY, DEMOCRATIC LABOR ELEMENTS EMPHASIZED NEED FOR A LOW-KEY APPROACH BY ANY AMERICAN LABOR PROGRAM. EMBASSY BELIEVES WORKING THROUGH EXISTING LABOR INSTITUTIONS -- AS THE GERMANS HAVE DONE -- RATHER THAN CREATING A SEPARATE AFL-CIO INSTITUTION IN PORTUGAL, IS ESSENTIAL TO SUCCESS. PROPOSED UNION-TO-UNION PROGRAM, LIKEWISE, WOULD NEED TO BE RESPONSIVE TO OVERALL POLITICAL CONDITIONS. IN ANY EVENT STAFFING PATTERN CONTAINED AFL-CIO PROPOSAL APPEARS IN EXCESS OF NEEDS FOR A PORTUGUESE LABOR PROGRAM, BOTH IN PORTUGAL AND IN THE US. WHETHER FULL-TIME AFL-CIO REPRESENTATIVE IS NECESSARY, OR WHETHER TEMPORARY PRESENCE COUPLED WITH EMBASSY RESOURCES WOULD MEET NEEDS, WILL DEPEND ON NATURE OF PROGRAM.

9. VISIT BY IRVING BROWN TO DISCUSS WITH US DETAILS OF HOW PROPOSED AFL-CIO INSTITUTE WOULD FUNCTION WOULD BE WELCOME AT ANY TIME. EMBASSY'S PRIMARY CONCERN IS THAT AID HAVE A PRACTICAL MEANS OF PROVIDING POLICY GUIDANCE AND THE ABILITY TO TERMINATE, IF NECESSARY, ANY PROGRAM SUPPORTED BY US

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GOVERNMENT FUNDS. DISCUSSIONS OF POLICY AND DETAILED  
PROGRAMS WITH GOP SHOULD TAKE PLACE ONLY AFTER THESE  
MATTERS AGREED UPON. A SEPARATE MESSAGE CONVEYS A  
PROPOSAL FOR RESERVING ADDITIONAL TECHNICAL ASSISTANCE  
FUNDS FOR A LABOR PROGRAM FOR PORTUGAL ON THE ASSUMPTION  
THAT THE PRESENT ISSUES CAN BE SATISFACTORILY RESOLVED.  
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## Message Attributes

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